

PUBLIC DISCLOSURE

September 14, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Beal Bank Nevada
Certificate Number: 57833**

**1970 Village Center Circle, Suite 1
Las Vegas, Nevada 89134**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Dallas Regional Office**

**1601 Bryan Street
Dallas, Texas 75201**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Beal Bank Nevada** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **September 14, 2009**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

Using the Community Development Test for CRA Wholesale Banks, BBN demonstrated a good overall record. A strong level of community development activities, somewhat inhibited by a satisfactory responsiveness to the assessment area's needs and a weak use of innovative or complex activities, primarily supports this rating.

This evaluation emphasized the level of community development loans when arriving at the overall rating due to the bank's capacity and business strategy. The following factors summarize the institution's performance.

- The bank exhibited a strong level of community development activities. A strong level of community development loans and services primarily support this conclusion. The institution recorded a weaker, but adequate, level of qualified investments.
- The institution achieved a weak record of using innovative or complex investment, loan, and service initiatives. Weak records regarding all three activity types, loans, investments, and services, support this conclusion.
- BBN established a satisfactory responsiveness to credit and community development needs in its assessment area. A satisfactory number of community development activities directly addressing identified community development needs primarily supports this conclusion.

SCOPE OF EXAMINATION

This one-office, \$5.5 billion institution located in Las Vegas, Nevada, received a CRA Wholesale Bank designation when it opened August 2, 2004, and continued its wholesale operations during the period under review for this evaluation. Consequently, examiners used the Community Development Test performance criteria, noted in Appendix B, to evaluate the bank's performance.

Examiners applied full-scope procedures for evaluating the bank's performance in its only assessment area, the Las Vegas, Nevada, metropolitan statistical area (MSA). This evaluation considered all of the bank's community development activities – qualified investments, community development loans, and community development services – from the previous evaluation dated June 6, 2006, through August 30, 2009. Appendix A reflects additional information regarding this evaluation's scope.

DESCRIPTION OF INSTITUTION

Beal Bank Nevada (BBN), headquartered in Las Vegas, Nevada, operated as a wholesale bank and received its CRA Wholesale Bank designation when it began operations on August 2, 2004. Beal Financial Corporation (BFC) owns 100 percent of BBN as well as another banking institution, Beal Bank Texas (BBT), Plano, Texas, which maintains 22 subsidiaries.

BBN primarily engaged in the discounted purchase of moderate- to high-risk commercial and residential real estate loans from other institutions and the FDIC, primarily on a national scale. The bank's subsidiary, LNV Corporation (LNV), housed a majority of the bank's assets. BBN extensively relied on affiliates, with which it maintained agreements, for loan purchasing and servicing services.

BBN operated from one office located in an upper-income census tract (CT). This office primarily took deposit products. BBN's banking charter limited its retail product offerings to deposit accounts, including statement savings accounts, certificates of deposit, and individual retirement accounts. Customers could use telephone and internet banking services for account access, account balance information, and funds transfers. The branch maintained hours from 9 A.M. to 4 P.M. Monday to Friday.

As of June 30, 2009, BBN reported total assets of \$5.5 billion, total loans of \$2.6 billion, total deposits of \$2.3 billion, and total equity capital of \$1.9 billion. For the quarter ending June 30, 2009, the bank reported a net profit of \$154 million. Since June 2006, the bank's assets grew over 152 percent, fueled in large part from purchasing over \$671 million in assets from failed banks where the FDIC acted as receiver. As seen in the following table, BBN focused on the purchase of commercial loans, which comprised nearly 63 percent of its portfolio.

Table 1 – Loan Distribution as of June 30, 2009		
Loan Type	Dollar Amount (in 000s)	Percentage of Total Loans (%)
Construction and Land Development	67,856	2.6
Secured by Farmland	239	0.0
1-4 Family Residential	854,567	32.7
Multi-Family (5 or more) Residential	75,210	2.9
Commercial	1,505,126	57.6
Total Real Estate Loans	2,502,998	95.8
Commercial and Industrial	128,256	4.9
Agricultural	0	0.0
Consumer	1,775	0.1
Other	0	0.0
Less: Unearned Income	18,958	0.7
Total Loans	2,614,071	100.0

Source: 6/30/2009 Report of Condition

BBN operated in a highly competitive market. According to the June 30, 2009, summary of deposits report, 52 FDIC-insured institutions operated 416 branches in the bank's assessment area. BBN ranked 7th with 1.55 percent of the Las Vegas-Paradise Metropolitan Statistical

Area's (MSA) deposit market share. Citibank garnered over 65 percent and JP Morgan Chase another 11 percent of the area's deposits.

Exclusive of wholesale bank requirements by the State of Nevada, no legal or financial impediments exist that might restrict BBN's ability to meet the assessment area's (AA) credit needs. The bank received a Satisfactory rating at its previous June 6, 2006, FDIC evaluation.

DESCRIPTION OF LAS VEGAS-PARADISE MSA (LAS VEGAS MSA)

BBN designated all of Clark County, Nevada, as its assessment area. Clark County comprises the Las Vegas-Paradise Metropolitan Statistical Area (Las Vegas MSA #29820) which consists of 345 census tracts (CTs). The following table provides additional information regarding the assessment area. The assessment area complied with the technical requirements of the CRA and did not arbitrarily exclude any low- or moderate-income (LMI) areas.

Table 2 – Demographic Information (Las Vegas–Paradise MSA)				
Census Tract Income Levels	Census Tracts		Businesses	
	Number	Percentage	Number	Percentage
Low-Income	7	2.0	6,065	4.5
Moderate-Income	78	22.6	27,670	20.6
Middle-Income	147	42.6	50,587	37.7
Upper-Income	109	31.6	42,494	36.8
N/A	4	1.2	548	0.4
Totals	345	100.0	134,364	100.0

Source: 2008 D&B Business Data

Clark County, the southern most county in Nevada, borders the State of California and Nye County to the west and south, Lincoln County to the north, and the State of Arizona to the southeast. The City of Las Vegas serves as the county seat. Other major cities in the assessment area include Henderson, North Las Vegas, Boulder City, and Laughlin. The Mojave Desert encroaches into most of Clark County.

According to the *Clark County Comprehensive Plan - Clark County Federal Lands Element*, adopted July 1, 1997, the federal government owns approximately 90 percent of the area's land which the following six different agencies managed: Bureau of Land Management, the National Park Service, the U.S. Fish and Wildlife Service, the USDA Forest Service, the Bureau of Reclamation, and the U.S. Air Force. Clark County also houses three Native American Tribes.

According to the *Southern Nevada Concensus*, Clark County posted a population of 1,815,700 persons, or 70 percent of the state's total population, as of July 2005. A substantial majority of county residents live in the Las Vegas Valley Area. The 2004 data showed that 11.6 percent of the area's individuals reported incomes below the poverty level, compared to 11.1 percent statewide.

Community Contacts

For this CRA analysis, examiners reviewed three recent community contacts performed by federal banking regulatory agencies. One contact involved a non-profit organization promoting affordable housing and home ownership in Clark County. The other contacts concerned economic development agencies providing resources and counseling for Clark County small businesses.

The community contacts stated that the downturn in the tourism and housing industries hurt the economy in Las Vegas. They also stated that the more restrictive lending standards negatively impacted small business. The contacts identified a need for innovative loans for small businesses and non-profit housing organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

Based on the Community Development Test for CRA Wholesale Banks, BBN demonstrated a good overall record. A strong level of community development activity, somewhat inhibited by a satisfactory responsiveness to the assessment area's needs and a weak use of innovative or complex activities, primarily supports this rating. Examiners reviewed the bank's performance while considering its capacity and constraints as well as other information obtained through the performance context review when arriving at this conclusion.

This evaluation emphasized the level of community development loans when arriving at the overall rating due to the bank's capacity and business strategy. Appendix B lists the criteria used to evaluate the Community Development Test for Wholesale Banks.

Investment, Loan, and Service Activity

The bank exhibited a strong level of community development activities. A strong level of community development loans and services primarily support this conclusion. The institution recorded a weaker level of qualified investments. As noted, examiners considered the bank's capacity and performance context when arriving at this conclusion.

Table 3 - CD Activity Summary		
	CX	LX
CD Loans / Average Assets	9.2%	0.0%
CD Investments / Average Assets	0.4%	1.0%
CD Services	2,016 hours*	436 hours

*Sources: CRA PE 6/6/06 and Bank Records. *Provided by 4 employees in the Las Vegas office.*

Community Development Loans

The institution displayed a strong record of granting community development loans. A strong dollar volume of CD loans as a percentage of average assets primarily supports this conclusion. When arriving at this conclusion, examiners reviewed the extent, by number and dollar amount, of community development loans while considering the capacity and performance context issues previously noted.

The bank's \$225.6 million in community development loans equaled 9.2 percent of average assets since the previous evaluation. Of the over \$225 million in community development loans, depicted in the following table, the bank originated one loan for \$200 million to a business located in a moderate-income census tract that employs 13,000 individuals.

Table 4 – Qualified CD Purpose of the Loans										
Primary CD Purpose	2006 (since LX)		2007		2008		YTD 2009		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Affordable Housing	0	0	2	372	2	195	0	0	4	567
Economic Development	0	0	0	0	0	0	44	23,713	44	23,713
Community Services	0	0	0	0	0	0	0	0	0	0
Revitalize/Stabilize	0	0	3	428	9	879	1	200,000	13	201,307
Total	0	0	5	800	11	1074	45	223,713	61	225,587

Source: Bank Records

In addition to the bank's activities inside its assessment area, noted above, the institution participated in other activities located throughout the nation. For example, in 2009 BBN purchased over \$10 million in multi-family residential loans that include those that receive HUD Section 8 subsidies or relate to properties located in low- or moderate-income areas. In addition, in 2008 and 2009, BBN purchased nearly \$155 million in small business and small farm credits granted to entities with gross annual revenues of \$1 million or less.

Overall, the dollar volume of community development loans as a percentage of average assets displayed a strong record.

Qualified Investments

BBN performed adequately at acquiring qualified investments. An adequate dollar volume of qualified investments as a percentage of average assets primarily supports this conclusion. When arriving at this conclusion, examiners reviewed the extent, by number and dollar amount, of qualified investments while considering the capacity and performance context issues previously noted.

The bank's \$9.6 million in qualified investments noted in the following table equaled 0.4 percent of average assets since the previous evaluation. In October and December 2007 and January 2008, BBN purchased six mortgage-backed securities (MBS) that targeted LMI individuals. Donations included \$107,000 for the sponsorship of a science and engineering fair which includes a high percentage of students from LMI families.

In addition to the above activities inside the bank's assessment area, in 2008 and 2009 the bank purchased \$223 million in mortgage loan pools with collateral in low- or moderate-income areas nationwide.

Overall, BBN performed adequately based on the dollar volume of qualified investments as a percentage of average assets.

Table 5 – Qualified Investments		
Description	Number	Dollars (000s)
MBS by Fannie Mae	6	9,454
Qualified Donations	2	113
Total	8	9,567

Community Development Services

The bank established a strong record of providing community development services. A strong level of service hours provided relative to available resources primarily supports this conclusion. When arriving at this conclusion, examiners reviewed the extent, by number, of community development services while considering the capacity and performance context issues previously noted.

As seen in the table below, BBN contributed over 2000 hours of community development services. For the bank's total of four staff members, these hours approximately equate to nearly 9 percent of the employees' total available working hours.

Table 6 - Qualified Community Services					
Year	2006	2007	2008	YTD 2009	Total
Hours	165	729	489	633	2,016

Source: Bank Records

Three organizations primarily benefited from the community development services provided. Notable CD services included the following activities:

- Two employees provided financial services to an organization that provides CD services to those experiencing short-term financial hardship due to loss of income, relocation, death of a family member, poor financial planning, or unforeseen emergencies.
- One employee assisted in the marketing of financial services in the Individual Development Account (IDA) program. The purpose of the IDA Collaborative is to create opportunities and resources for LMI individuals.

Overall, the bank established a strong record of providing community development services based on the hours provided relative to the bank's available resources.

Use of Innovative or Complex Community Development Activities

The institution achieved a weak record of using innovative or complex investment, loan, and service initiatives. Weak records regarding all three activity types, loans, investments, and services, support this conclusion. When arriving at this conclusion, examiners reviewed the activities' characteristics while considering the capacity and performance context issues previously noted.

BBN primarily purchased loans, which limited its ability to create innovative or complex lending initiatives. In addition, the bank's limited personnel resources further reduced the institution's capacity, thus affecting the performance context. The bank recently became a Small Business

Administration (SBA) lender and plans to assist small businesses in obtaining credit in the future.

None of BBN's CD loans, qualified investments, and CD services previously mentioned reflected innovative or complex characteristics.

Responsiveness to Credit and Community Development Needs

BBN established a satisfactory responsiveness to credit and community development needs in its assessment area. A satisfactory number of community development activities directly addressing identified community development needs primarily supports this conclusion. When arriving at this conclusion, examiners reviewed the activities' characteristics while considering the capacity and performance context issues previously noted.

As reflected under the Description of the Assessment Area, community contacts emphasized small business and affordable housing needs in the area. To address these needs, the institution purchased 44 loans for nearly \$24 million that directly benefitted small businesses. In addition, it reported 4 loans totaling over \$500,000 that directly addressed affordable housing needs in the assessment area. Furthermore, the bank's qualified investments included 6 mortgage-backed securities that directly addressed affordable housing needs for low- or moderate-income individuals.

Consequently, nearly two-thirds of the total number of the bank's community development activities directly addressed the area's identified small business and affordable housing needs, although only 14 percent by dollar volume did so. As a result, BBN established a satisfactory responsiveness to credit and community development needs in its assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory lending or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDIX A – SCOPE OF EXAMINATION

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	6/6/2006 TO 8/30/2009	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Beal Bank Nevada, Las Vegas, Nevada		Community Development Loans Community Development Investments Community Development Services
AFFILIATE	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
No affiliate activities considered.		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Las Vegas-Paradise, Nevada MSA (MSA #29820)	On-site	None	On-site procedures conducted at the holding company's Plano, TX office

APPENDIX B – WHOLESALE BANK PERFORMANCE CRITERIA

The FDIC evaluates the community development performance of a wholesale bank pursuant to the following criteria:

- (1) the number and amount of community development loans (including originations and purchases of loans and other community development loan data provided by the bank, such as data on loans outstanding, commitments, and letters of credit), qualified investments, or community development services;
- (2) the use of innovative or complex community development loans, qualified investments, or community development services and the extent to which the investments are not routinely provided by private investors; and
- (3) the bank's responsiveness to credit and community development needs.

APPENDIX C - DEFINITIONS

Community development services: A service that has its primary purpose as community development. These services must be related to the provision of financial services that benefit the bank's assessment area.

Qualified investment: "A lawful investment, deposit, membership share, or grant that has as its primary purpose community development." These services can be for the support of the following endeavors: (1) affordable housing, (2) community services targeting, (3) activities that promote economic development by financing small farms and small businesses, and (4) activities that revitalize or stabilize LMI areas.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.